



## THE CITY OF SAN DIEGO



April 6, 2009

Mr. Andrew Maffia, AKT LLP  
5946 Priestly Drive, Suite 200  
Carlsbad, CA 92008

Dear Mr. Maffia:

Subject: Audit Response – Bid to Goal – Fiscal Year 2008

This is our response to your Audit Report dated March 19, 2009 for the Metropolitan Wastewater Department (MWWD).

### **Finding 1 (Summarized from AKT Report)**

This finding reflects errors found within the savings calculation process. The errors relate to how MWWD treated specific individual transactions with the following characteristics; post-close adjustments, CIP costs, out of scope expenditures and encumbrances. AKT's recommendations are as follows:

### **AKT Recommendation**

"We recommend that MWWD export Simpler Financials after the Comptroller has posted all post-close adjustments. In addition, we recommend that MWWD maintain both an Excel file and a paper copy of the report as exported. A reconciliation between total expenditures, for all Divisions, including out-of-scope items, to total expenditures reported on the Annual Report should be performed. A reconciliation between all post-close adjustments and those excluded from expenditures on the Annual Report should be performed. These reconciliations should be provided for our review of the savings calculation. MWWD should obtain a listing of all post-close adjustments pertaining to MWWD Divisions from the Comptroller's office to corroborate MWWD reports.

We recommend that the existing review process among the Divisions ensure:

1. That all out-of-scope (OOS) expenditures included in the Annual Report are valid by comparing detailed reports exported to Excel to reports printed directly from Simpler.
2. That OOS items included in the savings calculation are valid according to policies and procedures proscribed in the MOU.
3. That all encumbrances designated as released are correctly stated in the Annual Report.
4. That re-encumbered items be excluded from amounts released."



**Metropolitan Wastewater Department**

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### **MWWD Response**

MWWD agrees with this finding and will:

1. Export the financial data once the post-close adjustments that impact in-scope expenditures are posted.
2. Each division will review the saving calculation to ensure that all financial data is correct including the OOS items and the required written approval will be provided to the Audit Support staff.
3. The staff's review found over 720 encumbrance documents that were released before submitting the report to the Auditor; staff will continue to systematically review encumbrances during year end close-out period and look for ways to enhance this review.
4. In this Bid to Goal period one encumbrance was closed and subsequently re-encumbered. For this reason, staff will update procedures to include a second review for potential re-encumbering of funds even though these transactions are uncommon.
5. MWWD will maintain an electronic and paper copy of all reports used in the financial savings calculation. The final figures will be reconciled and traced before being provided to the outside auditor for their review.

### **Finding 2 (Summarized from AKT Report)**

This finding relates to the treatment of the Director's Contingency Reserve within the savings calculation.

### **AKT Recommendation**

"We recommend that Management consider amending the MOU and/or the Bid explicitly to define the Director's Contingency, including the total amount allowed, its purpose, and how it is to be used."

### **MWWD Response**

MWWD agrees with this finding. MWWD plans to bring the MOU before Council to be amended, resulting in the Director's Contingency being specified as a "pass-through" budget item. It may be used to pay for out-of-scope items which arise during the fiscal year, but any year-end positive variance in this fund will not be counted as Bid to Goal savings.

### **AKT Other Recommendations and Areas for Improvement**

"We recommend that all schedules prepared to support the savings calculations from Simpler be exported to Excel and printed to a PDF document so that the integrity of the Excel documents can be verified."

"We recommend that summaries be developed for each of the Key Performance Service Levels. The summaries should include all relevant information required to adequately test the achievement of the Key Performance Service Levels including:

- A contact person
- A detailed description
- A list of source documents used to measure the service level
- Criteria for achievement"

"We recommend that supporting data used to measure and report Key Performance Service Level achievement be made available to us at the beginning of fieldwork."

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"Where appropriate and possible provide multiple sources of corroborating evidence in support of goal attainment status."

"Ensure that a formal reconciliation process is in place and completed where detail reports are provided as support for the summary values given to AKT."

"Ensure during the goal development process that the specific goal is clearly crafted, challenging enough to be effective, and includes an accurate unambiguous description for goal attainment criteria and measurability requirements."

MWWD Response

MWWD agrees with AKT's other recommendations and areas for improvement relating to Key Performance Service Levels and Division Performance Goals. Procedures have been modified to incorporate the administrative improvements AKT has suggested.

Finally, staff appreciates all of the recommendations in this report, including "other recommendations," and key staff in MWWD will convene to insure that all recommendations are considered and addressed in time for the FY09 Bid to Goal Program.

Sincerely,

A handwritten signature in cursive script, appearing to read "Darlene Morrow-Truver".

Darlene Morrow-Truver  
MWWD Deputy Director